

State of Missouri
Office of Secretary of State

Case No. AP-12-17

IN THE MATTER OF:

GRAHAME RHODES,

Respondent.

Serve Grahame Rhodes at:
13001 Thornhill Drive
St. Louis, Missouri 63131

ORDER TO CEASE AND DESIST AND ORDER TO SHOW
CAUSE WHY
RESTITUTION, CIVIL PENALTIES, AND COSTS SHOULD
NOT BE IMPOSED

One June 1, 2012, the Enforcement Section of the Missouri Securities Division of the Office of the Secretary of State ("Enforcement Section"), through Deputy Enforcement Counsel Corinne E. Muller, submitted a Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed. After reviewing the petition, the Commissioner issues the following findings of fact, conclusions of law and order:

I. FINDINGS OF FACT

1. Grahame Rhodes ("Rhodes") has an address of 13001 Thornhill Drive, St. Louis, Missouri 63131. A check of the records maintained by the Commissioner indicates that Rhodes has never been registered as a securities agent or as an investment adviser with the State of Missouri.
2. As used herein, the term "Respondent" refers to Rhodes.
3. On or about March 27, 2012, an investigator with the Enforcement Section made contact with a sixty-five (65) year-old California resident ("CR1") and CR1's sixty-five (65) year-old spouse ("CR2"). In addition to interviews with CR1 and CR2, the investigator received emails and documents from CR1 and CR2 and other investors relating to their investments with Rhodes. These interviews and documents revealed, among other things, the following:
 - a. Rhodes was CR1 and CR2's brother-in-law;
 - b. Rhodes stated among other things:
 - i. Rhodes managed money for other individuals;

- ii. Rhodes provided safeguards for the money Rhodes managed and that investments of up to one hundred thousand dollars (\$100,000) were guaranteed against loss;
 - iii. Rhodes had earned between twenty-five to fifty percent (25-50%) profit from Rhodes' investments;
 - iv. due to Rhodes' day-to-day trading of "S&P 500" futures Rhodes was able to afford a nice home, expensive cars and private schooling; and
 - v. Rhodes was offering investors the same level of investment returns that Rhodes said provided for Rhodes' lifestyle;
- c. on or about October 28, 2004, Rhodes provided CR1 and CR2 with a Fund Management Agreement, which provided among other things:
 - i. Rhodes would be given full discretionary authority to manage and invest CR1 and CR2's funds for a period of one year; and
 - ii. if Rhodes' trading generated at least forty percent (40%) profit on CR1 and CR2's investment principal, CR1 and CR2 agreed to pay Rhodes a management fee of ten percent (10%) of the profits up to two thousand dollars (\$2,000);
- d. on or about October 28, 2004, CR2 wrote a check to Rhodes in the amount of twenty-five thousand dollars (\$25,000) and CR1 and CR2 executed the Fund Management Agreement;
- e. between October 28, 2004 and June 15, 2005, CR2 invested a total of seventy-five thousand dollars (\$75,000) with Rhodes in three (3) equal installments of twenty-five thousand dollars (\$25,000);
- f. in or around 2006, CR2 asked Rhodes to return the investment funds with any profits generated so that CR2 could re-invest with Rhodes through CR2's self-directed IRA;
- g. on or about July 31, 2006, Rhodes wired seventy-five thousand dollars (\$75,000) to CR1 and CR2's bank account. CR1 and CR2 understood this amount to represent CR1 and CR2's investment principal;
- h. in or around late 2006, or early 2007, Rhodes wired thirty-four thousand two hundred fifty-seven dollars and sixty-eight cents (\$34,257.68) to CR1 and CR2's bank account. CR1 and CR2 understood this amount to represent CR1 and CR2's profit generated by Rhodes;
- i. between 2006 and 2008, CR2 made three (3) additional investments with Rhodes through CR2's self-directed IRA, totaling one hundred fourteen thousand one hundred six dollars (\$114,106); and
- j. between 2006 and 2008, Rhodes issued CR2 three (3) promissory notes (the "Notes") memorializing CR2's three (3) investments through CR2's IRA of one hundred fourteen thousand one hundred six dollars (\$114,106). The Notes set

forth, among other things, that:

- i. Rhodes promised to pay the principal sum, with interest on the unpaid principal, at the rate of eight and three fourths percent (8.75%) per annum; and
 - ii. The Notes would be repaid on or around May 11, 2009.
4. On July 27, 2011, Rhodes sent CR2 an email in which Rhodes stated that the value of CR2's investment was four hundred four thousand six hundred fifty-four dollars (\$404,654).
5. In or around January 2012, CR1 and CR2 made several demands to Rhodes to return CR1 and CR2's invested funds.
6. Rhodes provided CR1 and CR2's daughter¹ a copy of Rhodes' trading account² statement dated February 3, 2012, which showed an account balance in excess of three million four hundred forty thousand dollars (\$3,440,000).
7. CR1 subsequently questioned Rhodes concerning the validity of the February 3, 2012 trading account statement. Rhodes admitted to CR1 that Rhodes "forged" the February 3, 2012 statement.
8. Rhodes provided CR1 and CR2 a copy of Rhodes' trading account statement dated February 8, 2012, which reflected a balance of forty-four thousand six hundred eight dollars and seventy-eight cents (\$44,608.78).
9. On March 3, 2012, Rhodes emailed investors, including CR1 and CR2, stating, among other things, that "90% of [Rhodes'] trading account was lost when [Rhodes] inadvertently left a position open for 2 weeks."
10. On March 12, 2012, Rhodes emailed investors, including CR1 and CR2, stating among other things, "I acknowledge all the terrible things I've done and all the missed deadlines in the past . . . I know without any doubt that I can get your money back to you . . . please let me trade free of pressure for a few weeks . . . my life depends on it . . . please give me an assurance that no investigations will be started . . ."
11. To date, Rhodes has not returned any of CR1 and CR2's invested funds or interest on CR1 and CR2's investments in the promissory notes.
12. Rhodes failed to disclose to CR1 and CR2, among other things:
 - a. that Rhodes was not a registered securities agent in the State of Missouri;
 - b. Rhodes was not a registered investment adviser in the State of Missouri;
 - c. that the investments offered and sold by Rhodes were not registered with the State of Missouri; and
 - d. financial records or other information supporting Rhodes claim that Rhodes' had made twenty-five to fifty percent (25-50%) profit from Rhodes' prior investments.

13. A check of the records maintained by the Commissioner confirmed that:
 - a. the investments offered and sold by Rhodes were not registered in the State of Missouri; and
 - b. Rhodes has never been registered as a securities agent or investment adviser with the State of Missouri.
14. The Enforcement Section's investigation revealed, among other things, the following:
 - a. Rhodes offered and sold investments to at least two (2) other investors during the time period of CR1 and CR2's investments; and
 - b. Rhodes received in excess of five hundred sixty-two thousand dollars (\$562,000) from investors and provided some investors with promissory notes.

II. STATUTORY PROVISIONS

15. "Agent" as "an individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities or represents an issuer in effecting or attempting to effect purchases or sales of the issuer's securities. But a partner, officer, or director of a broker-dealer or issuer, or an individual having a similar status or performing similar functions is an agent only if the individual otherwise comes within the term. The term does not include an individual excluded by rule adopted or order issued under this act."
16. Section 409.1-102(15), RSMo. (Cum. Supp. 2011), defines "Investment adviser" as "a person that for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. The term includes a financial planner or other person that, as an integral component of other financially related services, provides investment advice to others for compensation as part of a business or that holds itself out as providing investment advice to others for compensation."
17. Section 409.1-102(25), RSMo. (Cum. Supp. 2011), defines "Record" as "information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form."
18. Section 409.1-102(26), RSMo. (Cum. Supp. 2011), defines "Sale" as "every contract of sale, contract to sell, or disposition of, a security or interest in a security for value, and 'offer to sell' includes every attempt or offer to dispose of, or solicitation of an offer to purchase, a security or interest in a security for value."
19. Section 409.1-102(28), RSMo. (Cum. Supp. 2011), defines "Security" as "a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest of participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including

an interest therein or based on the value thereof; put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; or in general, an interest or instrument commonly known as a 'security'; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing."

20. Section 409.3-301, RSMo. (Cum. Supp. 2011), states:

It is unlawful for a person to offer or sell a security in this state unless:

- (1) The security is a federal covered security;
- (2) The security, transaction, or offer is exempted from registration under Sections 409.2-201 to 409.2-203; or
- (3) The security is registered under this act.

21. Section 409.4-402(a), RSMo. (Cum. Supp. 2011), states:

It is unlawful for an individual to transact business in this state as an agent unless the individual is registered under this act as an agent or is exempt from registration as an agent under subsection (b).

22. Section 409.4-403(a), RSMo. (Cum. Supp. 2011), states:

It is unlawful for a person to transact business in this state as an investment adviser unless the person is registered under this act as an investment adviser or is exempt from registration as an investment adviser under subsection (b).

23. Section 409.5-501, RSMo. (Cum. Supp. 2011), states:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

- (1) employ a device, scheme, or artifice to defraud;
- (2) To make an untrue statement of a material fact or to omit state a material fact necessary in order to make the statement made, in the light of the circumstances under which it is made, not misleading; or
- (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

24. Section 409.6-601, RSMo. (Cum. Supp. 2011), states:

(a) This act shall be administered by the commissioner of securities who shall be

appointed by and act under the direction of the secretary of state, and shall receive compensation as provided by law.

25. Section 409.6-602, RSMo. (Cum. Supp. 2011), states:

(a)The commissioner may:

(1)Conduct public or private investigations within or outside of this state which the commissioner considers necessary or appropriate to determine whether a person has violated, is violating, or is about to violate this act or a rule adopted or order issued under this act, or to aid in the enforcement of this act or in the adoption of rules and forms under this act;

(2)Require or permit a person to testify, file a statement, or produce a record, under oath or otherwise as the commissioner determines, as to all the facts and circumstances concerning a matter to be investigated or about which an action or proceeding is to be instituted;

(3)Publish a record concerning an action, proceeding, or an investigation under, or a violation of, this act or a rule adopted or order issued under this act if the commissioner determines it is necessary or appropriate in the public interest and for the protection of investors;

. . .

(b)For the purpose of an investigation under this act, the commissioner or its designated officer may administer oaths and affirmations, subpoena witnesses, seek compulsion of attendance, take evidence, require the filing of statements, and require the production of any records that the commissioner considers relevant or material to the investigation.

26. Section 409.6-604, RSMo. (Cum. Supp. 2011), states:

(a)If the commissioner determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this act or a rule adopted or order issued under this act or that a person has materially aided . . . an act, practice or course of business constituting a violation of this act . . . the commissioner may:

(1)Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this act;

(2)Require or permit a person to testify, file a statement, or produce a record, under oath or otherwise as the commissioner determines, as to all the facts and circumstances concerning a matter to be investigated or about which an action or proceeding is to be instituted;

(3)Publish a record concerning an action, proceeding, or an investigation under, or a

violation of, this act or a rule adopted or order issued under this act if the commissioner determines it is necessary or appropriate in the public interest and for the protection of investors;

(b)An order under subsection (a) is effective on the date of issuance. Upon issuance of the order, the commissioner shall promptly serve each person subject to the order with a copy of the order and a notice that the order has been entered. The order must include a statement whether the commissioner will seek a civil penalty or costs of the investigation, a statement of the reasons for the order, and notice that, within fifteen days after receipt of a request in a record from the person, the matter will be scheduled for a hearing. If a person subject to the order does not request a hearing and none is ordered by the commissioner within thirty days after the date of service of the order, the order becomes final as to that person by operation of law. If a hearing is requested or ordered, the commissioner, after notice of and opportunity for hearing to each person subject to the order, may modify or vacate the order or extend it until final determination.

(c)If a hearing is requested or ordered pursuant to subsection (b), a hearing before the commissioner must be provided. A final order may not be issued unless the commissioner makes findings of fact and conclusions of law in a record in accordance with the provisions of chapter 536, RSMo, and procedural rules promulgated by the commissioner. The final order may make final, vacate, or modify the order issued under subsection (a).

(d)In a final order under subsection (c), the commissioner may:

(1)Impose a civil penalty up to one thousand dollars for a single violation or up to ten thousand dollars for more than one violation;

(2)Order a person subject to the order to pay restitution for any loss, including the amount of any actual damages that may have been caused by the conduct and interest at the rate of eight percent per year from the date of the violation causing the loss or disgorge any profits arising from the violation;

(3) In addition to any civil penalty otherwise provided by law, impose an additional civil penalty not to exceed five thousand dollars for each such violation if the commissioner finds that a person subject to the order has violated any provision of this act and that such violation was committed against an elderly or disabled person. For purposes of this section, the following terms mean:

(A)'Disabled person', a person with a physical or mental impairment that substantially limits one or more of the major life activities of such individual, a record of such impairment, or being regarded as having such an impairment;

(B)'Elderly person', a person sixty years of age or older.

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(e)In a final order, the commissioner may charge the actual cost of an investigation or proceeding for a violation of this act or a rule adopted or order issued under this act. These funds may be paid into the investor education and protection fund.

27. Section 409.6-605(b), RSMo. (Cum. Supp. 2011), states:

Under this act, a rule or form may not be adopted or amended, or an order issued or amended, unless the commissioner finds that the rule, form, order, or amendment is necessary or appropriate in the public interest or for the protection of investors and is consistent with the purposes intended by this act. In adopting, amending, and repealing rules and forms, section 409.6-608 applies in order to achieve uniformity among the states and coordination with federal laws in the form and content of registration statements, applications, reports, and other records, including the adoption of uniform rules, forms, and procedures.

IV. CONCLUSIONS OF LAW

Multiple Violations of Offering and Selling Unregistered, Non-Exempt Securities

28. Paragraphs 1 through 27 are incorporated by reference as though fully set forth herein.
29. Respondent offered and sold a security as those terms are defined in Sections 409.1-102(26) and (28), RSMo. (Cum. Supp. 2011), when he offered and sold investment contracts and promissory notes.
30. A "note" is enumerated in the list of items that are securities in Section 409.1-102(28), RSMo. (Cum. Supp. 2011). The promissory note at issue in this matter was a note and a security.
31. An "investment contract" is enumerated in the list of items that are securities in Section 409.1-102(28), RSMo. (Cum. Supp. 2011). The investments Rhodes offered and sold to CR1 and CR2 are investment contracts, in that:
 - a. CR1 and CR2 invested funds with Rhodes;
 - b. CR1 and CR2's funds were combined with other investor funds;
 - c. CR1 and CR2 expected a profit; and
 - d. Profits were to be derived from Rhodes' trading efforts.
32. At all times relevant, records maintained by the Commissioner contained no registration, granted exemption, or notice filing indicating status as a "federal covered security" for the securities offered and sold by Respondent.
33. Respondent violated Section 409.3-301, RSMo. (Cum. Supp. 2011), when he offered and sold securities in Missouri without these securities being (1) a federal covered security, (2) exempt from registration under Sections 409.2-201 or 409.2-203, RSMo. (Cum. Supp. 2011), or (3) registered under the Missouri Securities Act of 2003.
34. CR1 and CR2 were over the age of sixty (60) years old and were elderly persons as that term is defined under Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011), at

the time of Respondent's offer and sale of these securities.

35. Respondent's actions of offering and selling securities that were not registered, exempt or a federal covered security constitute an illegal act, practice, or course of business and thus such actions are subject to the Commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2011).

Multiple Violations of Transacting Business as an Unregistered Agent

36. Paragraphs 1 through 28 are incorporated by reference as though fully set forth herein.
37. At all times relevant, records maintained by the Commissioner contained no registration or granted exemption for Respondent to transact business as an agent in the State of Missouri.
38. Respondent violated Section 409.4-402(a), RSMo. (Cum. Supp. 2011), when he offered and/or sold securities to investors in Missouri without being registered or exempt from registration as an agent.
39. CR1 and CR2 were over the age of sixty (60) years old and were elderly persons as that term is defined under Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011), at the time of Respondent's offer and sale of these securities.
40. Respondent's actions in transacting business as an unregistered agent constitute an illegal act, practice, or course of business and thus such actions are subject to the Commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2011).

Multiple Violations of Transacting Business as an Unregistered Investment Adviser

41. Paragraphs 1 through 28 are incorporated by reference as though fully set forth herein.
42. At all times relevant, records maintained by the Commissioner contained no registration or granted exemption for Respondent to transact business as an investment adviser in the State of Missouri.
43. Respondent entered into a Fund Management Agreement with CR1 and CR2. The agreement provided Respondent would have full discretion to manage CR1 and CR2's funds and be paid a management fee if trading generating a profit of over forty percent (40%).
44. Respondent violated Section 409.4-403(a), RSMo. (Cum. Supp. 2011), when Respondent held himself out as providing investment advice for compensation without being registered or exempt from registration as an investment adviser.
45. CR1 and CR2 were over the age of sixty (60) years old and were elderly persons as that term is defined under Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011), at the time of Respondent's offer and sale of these securities.
46. Respondent's actions in transacting business as an unregistered investment adviser

constitute an illegal act, practice, or courses of business and thus such actions are subject to the Commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2011).

Multiple Violations of Omitting to State Material Facts in Connection with the Offer or Sale of a Security

47. Paragraphs 1 through 28 are incorporated by reference as though fully set forth herein.
48. In connection with the offer, sale or purchase of a security to CR1 and CR2, Respondent omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading, including, but not limited to, the following:
 - a. that Respondent was not a registered agent in the State of Missouri;
 - b. that Respondent was not a registered investment adviser in the State of Missouri;
 - c. that the promissory notes Respondent issued were not registered with the State of Missouri;
 - d. the investment contracts Respondent offered and sold were not registered with the State of Missouri; or
 - e. information supporting Respondent's claims of twenty-five to fifty percent (25-50%) profit from Respondent's prior investments.
49. Respondent violated Section 409.5-501, RSMo. (Cum. Supp. 2011), when he omitted to state material facts necessary in order to make statements made, in light of the circumstances under which they were made, not misleading.
50. CR1 and CR2 were over the age of sixty (60) years old and were elderly persons as that term is defined under Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011), at the time of Respondent's offer and sale of these securities.
51. Respondent's actions in omitting to state material facts constitute illegal acts, practices, or courses of business and thus such actions are subject to the Commissioner's authority under Section 409.6-604, RSMo. (Cum. Supp. 2011).
52. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b), RSMo. (Cum. Supp. 2011).

IV. ORDER

NOW, THEREFORE, it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from:

- A. violating or materially aiding in any violation of Section 409.3-301, RSMo. (Cum. Supp. 2011), by offering or selling any securities as defined by Section 409.1-

102(28), RSMo. (Cum. Supp. 2011), in the State of Missouri unless those securities are registered with the Securities Division of the Office of the Secretary of State in accordance with the provisions of Section 409.3-301;

- B. violating or materially aiding in any violation of Section 409.4-402(a), RSMo. (Cum. Supp. 2011), by transacting business as an unregistered agent;
- C. violating or materially aiding in any violation of Section 409.4-403(a), RSMo. (Cum. Supp. 2011), by transacting business as an unregistered investment adviser; and
- D. violating or materially aiding in any violation of Section 409.5-501, RSMo. (Cum. Supp. 2011), by, in connection with the offer or sale of securities, omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2011), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent for multiple violations of Section 409.3-301, RSMo. (Cum. Supp. 2011), in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent for two violations of Section 409.3-301, RSMo. (Cum. Supp. 2011), against an elderly person, in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2011), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of civil penalties of up to ten thousand dollars (\$10,000) against Respondent for multiple violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2011), in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent for at least two violations of Section 409.4-402(a), RSMo. (Cum. Supp. 2011), against an elderly person, in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2011), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent for multiple violations of Section 409.4-403(a), RSMo. (Cum. Supp. 2011), in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d)(3)(B), RSMo. (Cum.

Supp. 2011), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent for at least two violations of Section 409.4-403(a), RSMo. (Cum. Supp. 2011), against an elderly person, in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d), RSMo. (Cum. Supp. 2011), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent for multiple violations of Section 409.5-501, RSMo. (Cum. Supp. 2011), in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, pursuant to Section 409.6-604(d)(3)(B), RSMo. (Cum. Supp. 2011), the Commissioner will determine whether to grant the Enforcement Section's petition for an imposition of a civil penalty of up to ten thousand dollars (\$10,000) against Respondent for at least two violations of Section 409.5-501, RSMo. (Cum. Supp. 2011), against an elderly person, in a final order, unless Respondent requests a hearing and shows cause why the penalty should not be imposed.

IT IS FURTHER ORDERED that, as the Enforcement Section has petitioned for an order of restitution, the Commissioner will determine whether to order Respondent to pay restitution for any loss, possibly to include the amount of any actual damages that may have been caused by the conduct of Respondent and interest at the rate of eight percent per year from the date of the violation causing the loss, or disgorge any profits, arising from the violation of Sections 409.3-301, 409.4-402, 409.4-403 and 409.5-501, RSMo. (Cum. Supp. 2011), in a final order, unless Respondent requests a hearing and shows cause why this restitution or disgorgement should not be imposed.

IT IS FURTHER ORDERED that, as the Enforcement Section has petitioned for an award for the costs of the investigation against Respondent in this proceeding, the Commissioner will issue a final order, pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2011), awarding an amount to be determined after review of evidence submitted by the Enforcement Section, unless Respondent requests a hearing and shows cause why an award should not be made.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,
MISSOURI THIS 6TH DAY OF JUNE, 2012.

ROBIN CARNAHAN
SECRETARY OF STATE

(Signed/Sealed)
MATTHEW D. KITZI
COMMISSIONER OF SECURITIES



State of Missouri
Office of Secretary of State

Case No. AP-12-17

IN THE MATTER OF:

GRAHAME RHODES,

Respondent.

Serve Grahame Rhodes at:
13001 Thornhill Drive
St. Louis, Missouri 63131

NOTICE

TO: Respondents and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to § 409.6-604(b), RSMo. (Cum. Supp. 2009), and 15 CSR 30-55.020.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

Matthew D. Kitzi, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri, 65102.

CERTIFICATE OF SERVICE

I hereby certify that on this 6th day of June, 2012, a copy of the foregoing Order to Cease and Desist in the above styled case was **mailed by Certified U.S. mail to:**

Grahame Rhodes
13001 Thornhill Drive
St. Louis, Missouri 63131

And via hand-delivery to:

Corinne E. Muller
Deputy Enforcement Counsel
Missouri Securities Division

[\[1\]](#) CR1 and CR2's daughter also invested funds with Rhodes and gave a copy of the statement to her parents, CR1 and CR2.

John Hale
Specialist

[\[2\]](#) Upon information and belief, Rhodes pooled investor funds in this trading account.